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# Industrial Development Board

Sixth special session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Thursday, 7 December 1995, at 10 a.m.

*President*: Mrs. OK (Turkey)

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*The meeting was called to order at 10.20 a.m.*

## OPENING OF THE SIXTH SPECIAL SESSION

1. **The PRESIDENT** declared open the sixth special session of the Board. The session had been convened in accordance with decision IDB.14/Dec.27, paragraph 4, for the purpose of considering the scale of assessments of Member States for the 1996-1997 biennium and the revised proposals by the Director-General for the programme and budgets, 1996-1997. Also in accordance with that decision, it had been preceded by a session of the Programme and Budget Committee. The report of the Committee was contained in document IDB/S.6/4.

## ADOPTION OF THE AGENDA

2. **The PRESIDENT** proposed that, since the items to be covered by the Board at its current session were the same as those discussed by the Programme and Budget Committee, the Board adopt the same agenda as the Committee (as contained in paragraph 8 of the Committee's report), with the exception of item 3, "election of officers".

3. *The proposed agenda was adopted.**

## STATEMENT BY THE DIRECTOR-GENERAL

4. **Mr. DE MARIA Y CAMPOS** (Director-General), welcoming delegations to the sixth special session, said that their main task was to review the revised programme and budgets for 1996-1997 that he had submitted to Member States following the announced withdrawal of the United States of America from the Organization. His revised proposals had been endorsed by the Programme and Budget Committee at its second additional session the previous day. Those proposals applied the findings and recommendations developed during the Organization's reform process and combined drastic savings, primarily in administrative and support areas, with preserving UNIDO's core substantive capacities. Thanks to the reforms, he had been able to present proposals which would ultimately result in a reduction of 25 per cent of the Organization's costs. Through further focusing of UNIDO services, as well as streamlined administration and improved financial management, it had also been possible to simplify the organizational structure further, partly by merging a number of divisions and integrating some small subprogrammes into broader units.

5. A revised budget for 1996-1997 appeared in document IDB/S.6/2. The reduction amounted to $28.3 million compared with his original proposal for the biennium. The revised budget was accompanied by contingency plans, set out in document GC.6/CRP.3, which would take effect if the United States of America failed to pay its mandatory contributions for 1996.

6. With a positive recommendation of the Board on the revised budget and its final approval by the General Conference, its implementation would start in January 1996. That would be no easy task, since the organizational changes would have to be put into effect and fine-tuned, new terms of reference developed, streamlined processes applied and staff significantly reduced. He would report in detail on the results of the first budget implementation phase at an additional session of the Programme and Budget Committee in May 1996.

7. He was confident that, with the determination shown by Member States to support UNIDO and the commitment of the staff to redouble their efforts to meet the needs of developing countries and countries in transition, there would be a bright future for a reinforced UNIDO.

## SCALE OF ASSESSMENTS OF MEMBER STATES FOR THE FISCAL PERIOD 1996-1997 (IDB/S.6/1, IDB/S.6/4)

8. **THE PRESIDENT** submitted to the Board for adoption the draft decision contained in paragraph (c) of the Programme and Budget Committee's conclusion 95/16 (see document IDB/S.6/4, para. 13).

9. *The draft decision was adopted.*

## WORKING CAPITAL FUND (IDB/S.6/3, IDB/S.6/4)

10. **The PRESIDENT** invited the Board to consider the draft decision contained in the Programme and Budget Committee's conclusion 95/17 (IDB/S.6/4, para. 14).

11. *The draft decision was adopted.*

## SPECIAL FINANCIAL ARRANGEMENTS RELATING TO VOLUNTARY SEPARATIONS OF FIXED-TERM STAFF (GC.6/32)

12. **The PRESIDENT** said that, as mentioned in paragraph 15 of its report, the Programme and Budget Committee had taken no decision on the item but had decided to refer the decision to the Board. An exhaustive

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* For the agenda as adopted, see document GC.6/35, paragraph 9.

discussion on the matter had taken place in the Committee, and the Chairman had proposed the adoption of a conclusion containing a recommendation to the Board in the form of a draft decision. Informal discussions had taken place among delegations with the aim of reaching consensus on the subject. The draft decision that had been proposed by the Chairman of the Programme and Budget Committee read as follows:

> "The Industrial Development Board recommends to the General Conference that it decide:
>
> "(a) To take note of the information provided in chapter IV of document GC.6/32; and
>
> "(b) In view of the prevailing special circumstances relating to the separation of staff and taking into account that the majority of the staff of UNIDO hold fixed-term appointments, to approve, as a special measure and without constituting a precedent, that financial arrangements relating to voluntary separations of staff, to be financed from the separation indemnity reserve, may include payment of additional termination indemnity up to 50 per cent to holders of fixed-term appointments."

13. She asked whether that draft decision could be adopted.

14. **Mr. SÁENZ DE TEJADA** (Spain), speaking on behalf of the European Union, proposed an alternative draft, as follows:

> "The Industrial Development Board recommends to the General Conference that it decide:
>
> "(a) To take note of the information provided in chapter IV of document GC.6/32;
>
> "(b) To request the Director-General that, in paying separation indemnities, he shall be governed by the relevant staff regulations and rules and take into account the merits of each case as well as the general principles of equity, legal practice and precedents in UNIDO and in other organizations of the United Nations system."

15. **Mr. CURIA** (Argentina) said the alternative proposal by the European Union merely stated the obvious. Clearly, the Director-General would be governed by staff rules and regulations and by UNIDO's previous practice, as well as by the experience of other United Nations organs which had had to deal with mass separations of staff, such as UNESCO. The text was irrelevant to the Director-General's task.

16. **Ms. BATACLAN** (Philippines) thought that there was no need for a text merely calling for the implementation of existing regulations. It was precisely on the basis of the general principles of equity that the Secretariat had suggested, in document GC.6/32, a waiver of the rules in order to achieve greater equity in compensation for fixed-term staff members in justified cases. Moreover, the reference in the European Union's proposal to the "merits of each case" raised questions: the staff rules were clear, and it seemed unnecessary to add a discretionary element.

17. **Mr. DE MARIA Y CAMPOS** (Director-General) said the proposal by the European Union merely described the practice already followed. What he had tried to present was a proposal aimed at achieving greater certainty and transparency and a more equitable approach. The reference to the "merits of each case" took one back to the past, and the new proposal would be very complicated to put into practice. He had already issued a bulletin to encourage voluntary staff separations, and now needed the support of Member States for a procedure which would reduce the number of individual problems and which would not require a case-by-case analysis. He would ask the Director of Personnel Services to highlight the Secretariat's concerns and explain why it was felt that a more effective guideline was needed from Member States. The programme would be crucial to the Organization's future, especially in the coming months. He added that, since becoming a specialized agency, UNIDO had followed the existing staff rules and regulations; however, during the reform process all its personnel procedures had been minutely analysed with a view to ensuring that staff would be better assessed and better motivated, with better long-term career planning but more accountability.

18. **Mr. CREYDT** (Director, Personnel Services) said that the reactions of Member States to the proposals would be instrumental in encouraging staff members to come forward with requests for agreed termination. The Secretariat's proposal was an attempt to create a clear-cut legal situation for the 1995-1996 voluntary staff reduction programme, to get away from what was termed, in the European Union's proposal, the "practice and precedents" in other organizations—the various attempts by other organizations finding themselves in a similar situation to create an incentive for fixed-term staff members to request agreed termination. The relevant current regulation gave fixed-term staff members no right to 50 per cent additional indemnity; they were no better off than if they had been dismissed, so they had no incentive to request voluntary separation. The bulletin recently issued by the Director-General invited staff members to volunteer for early retirement and separation packages on an agreed basis. It was of

course the Director-General's policy to observe the principles of law, equity, fairness and transparency. In that connection, he pointed out that the Organization had over 600 staff members on fixed-term contracts and the majority had served for more than five years, up to well beyond 15 years. No permanent staff members had served less than 12 years. It was difficult to explain to fixed-term staff members why an organization with a strict policy of not granting permanent contracts should have rules which prohibited the establishment of equity as between fixed-term and permanent staff, even under exceptional circumstances.

19. **Mr. SÁENZ DE TEJADA** (Spain), speaking on behalf of the European Union, said that the Union's main concern was that, since UNIDO's case might set a precedent in the general restructuring of the United Nations, there should be no improvisation or special measures which would result in complications or an additional financial burden for other organizations involved in the same process. Had the European Union merely wished to refer to the way in which such matters had been handled in the past, subparagraph (b) would have ended with the words "regulations and rules". Instead, it had preferred to add wording from a UNESCO resolution on the same subject.

20. The European Union was not trying to make matters difficult: the text gave the Director-General ample room for manoeuvre, but the Board had a responsibility to see that UNIDO worked in a manner consistent with the rest of the United Nations system, in the interests of transparency.

21. **Mr. CURIA** (Argentina) asked how the separation indemnity would be calculated in the case of a fixed-term staff member with nine years' service, for example, if the Director-General were allowed to change the rules and grant an additional indemnity of up to 50 per cent, and what would happen if the rules were not changed.

22. **Mr. CREYDT** (Director, Personnel Services) said that, as a standard entitlement, such a staff member would receive nine months' net base salary minus post adjustment in the Professional category and nine months' take-home pay in the General Service category. With the additional 50 per cent, the equivalent of 13.5 months would be payable. A P-5 staff member with a net base salary of $60,000 would receive about $30,000 extra.

23. It was thought that only 30 to 40 staff members would be involved and the payments would be within the resources earmarked for separation purposes. The indemnity reserve might come to about $17 million, sufficing to cover the separation of 200 to 210 staff members at an average of $80,000-85,000 per capita, assuming that they had not all completed 12 or more years of service and were not all in the higher grades.

24. **Mr. CURIA** (Argentina) asked what action would be open to the Director-General to take into account the general principles of equity if the requested change in the rules was not authorized.

25. **Mr. CREYDT** (Director, Personnel Services) said that one possibility was for the Director-General to keep such a fixed-term staff member for a further period, but that would create an additional burden on the Organization's very limited salary costs, and 230 posts had to be made vacant by early 1996. So the Director-General would have to use the separation indemnity reserve to pay the staff members concerned the equivalent in special leave with pay in a lump sum. Alternatively, where a staff member was entitled to one month's pay in lieu of notice, the Director-General could increase that, under the rules, to three months. Other organizations had explored the possibility of paying Professional staff an indemnity based on the post adjustment as well as the base salary. That approach was questionable because it was not covered by the regulations and because the post adjustment varied according to the duty station, so that staff would receive different indemnities according to where they were posted, which was not in the spirit of equity. The number of possibilities open to the Director-General was extremely limited.

26. **Mr. SOKOLOV** (Russian Federation) said that administrative and budgetary matters needed to be resolved on the basis of a reasonable policy and strict rules. Under the present staff rules and regulations, separation due to staff cuts or voluntary separation was very generously compensated compared with arrangements for most national civil servants. If those rules were scrupulously observed, and there were no violations whatsoever, there would be no reason for legal proceedings.

27. Bearing in mind also that the staff rules had been prepared with the active participation of staff representatives from the various organizations, and that they were fairly uniform throughout the United Nations system, any changes in the rules of one organization could constitute a regrettable precedent for any future action elsewhere.

28. The proposal by the European Union was generally acceptable, but would be improved by the insertion of the phrase "in the light of the relevant recommendations of the External Auditor" in subparagraph (b) after the words "in UNIDO".

29. **Mr. INOMATA** (Japan) said that it was clear that the Board was not in a position to support the measures

proposed by the Secretariat unconditionally. The alternative measures proposed by the European Union contained a number of shortcomings: there was no reference to the importance of not creating a precedent, nor to the need for the Director-General to report on the implementation of the proposed measures, nor to the financial problems which had created the need for special measures. Moreover, cost-effectiveness was important. The costs involved in retaining staff on a supernumerary basis, once posts were abolished, needed to be compared with those of separation and of any additional indemnities. Furthermore, the rescinding of certain practices such as the automatic renewal of fixed-term contracts to staff with a long service record was undoubtedly the most important factor in the reform process, and that point was not mentioned in the European Union text which instead contained elements which were largely meaningless. It was doubtful, for example, whether any delegation had ever examined the varying legal practices in question or whether there had ever been any uniformity of practice in the United Nations system in such matters. Precedents would reflect independent or arbitrary decisions by heads of different organizations. He therefore proposed that the last phrase of subparagraph (b), from the words "the general principles", be deleted and replaced by the phrase "the cost-effectiveness of resorting to such indemnities".

30. He further proposed that a new subparagraph (c) be added, to read:

> "(c) To request the Director-General to report to the Industrial Development Board at its fifteenth session on the measures taken on this matter."

31. **Mr. DE MARIA Y CAMPOS** (Director-General) said that the Board should take into account the fact that most UNIDO staff members, unlike many IAEA staff members, were not on secondment and had no safe post to return to, especially after long periods of service. They faced an uncertain future if they had to leave.

32. His intention had been to seek guidance from the Board, and he would need the support and understanding of Member States when the time came to make the very difficult decisions that lay ahead. His aim had also been to keep costs down for the Organization, but the greater the uncertainty, the greater the risk of higher costs.

33. In the light of the views expressed, therefore, he suggested that subparagraph (b) should be reworded along the following lines:

> "(b) To request the Director-General that, in paying separation indemnities in the context of the current extraordinary staff reduction programme, he shall be governed by the relevant staff regulations and rules and ensure equitable treatment among staff members with different contractual arrangements, taking into account the length of service with the Organization, the merits of each case as well as cost-effectiveness, general principles of equity, legal practice and precedents in UNIDO and in other organizations of the United Nations system, in the light of relevant recommendations of the External Auditor."

34. The new subparagraph (c) proposed by Japan raised no problems.

35. **Mr. DE YTURRIAGA BARBERAN** (Spain), speaking on behalf of the European Union, said that the amendment suggested by the representative of the Russian Federation was fully acceptable. He could also accept the Japanese amendment to paragraph (b). The suggested new paragraph (c) could be worded more generally and might read as follows: "Requests the Director-General to report to the Industrial Development Board on the implementation of the scheme of separation of personnel."

36. It appeared that some of the amendments proposed by the Director-General could be incorporated in the text, but the precise wording would need further examination. Perhaps informal consultations would be helpful.

37. **Mr. INOMATA** (Japan), recalling paragraph 14 of document GC.6/32, said that the draft decision should include a provision that the measures taken would not constitute a precedent.

38. **Mr. HAQUE** (Pakistan) said that the terms and conditions of appointment were contained in the staff rules and regulations and letters of appointment. Staff members requesting voluntary separation would be those who had other employment possibilities. An exception to the rules was being discussed for voluntary separations. Now, the exception would not apply to staff members whose appointments were terminated by the Director-General. There was therefore an inherent discrimination. He suggested that no special measures should be considered for those agreeing to voluntary separation and that it should be left to the Director-General to decide whose appointments were to be terminated in accordance with the letters of appointment. The Board should not adopt a confused text. Transparency would be lost if the various conditions proposed by delegations were adopted.

39. **Ms. BATACLAN** (Philippines) said it was her understanding that the only issue to be addressed was whether payment of additional termination indemnity of

up to 50 per cent to holders of fixed-term appointments should be possible. The text of the draft decision proposed by the European Union, with the amendments proposed by the delegations of Japan and the Russian Federation and the Director-General, pertained to the whole staff reduction programme, which was not an item on the agenda.

40. **Mr. YIMER** (Ethiopia) proposed that the debate should be adjourned.

41. **The PRESIDENT** said that further discussion could continued after the Board had dealt with item 3 ("Programme and budgets, 1996-1997").

**PROGRAMME AND BUDGETS, 1996-1997** (IDB/S.6/2, IDB/S.6/4)

42. **The PRESIDENT** invited the Board to consider the draft decision contained in paragraph (e) of the Programme and Budget Committee's conclusion 95/15 (IDB/S.6/4, para. 12).

43. **Mr. INOMATA** (Japan) said that his Government had now confirmed that it could accept the text agreed on *ad referendum* in the Programme and Budget Committee the previous day.

44. *The draft decision was adopted.*

**SPECIAL FINANCIAL ARRANGEMENTS RELATING TO VOLUNTARY SEPARATIONS OF FIXED-TERM STAFF** *(continued)*

45. **Mr. DE MARIA Y CAMPOS** (Director-General), replying to the comments made by the representative of the Philippines, said that the Secretariat had originally made a suggestion to the General Conference in paragraph 14 of document GC.6/32. However, the circumstances had changed with the convening of sessions of the Programme and Budget Committee and the Industrial Development Board and the introduction of draft decisions, and the Board was free to discuss the matter.

46. **Mr. DE YTURRIAGA BARBERAN** (Spain), speaking on behalf of the European Union, endorsed the comments made by the Director-General. The matter was before both the Board and the Conference. He could accept the suggestion that no decision should be taken, in which case the staff rules and regulations would apply as at present. However, if a decision was to be taken, a text would have to be agreed on, and he suggested that the meeting should be suspended to allow attempts to draft a suitable text.

47. **Mr. MBEGABOLAWE** (Zimbabwe) thought that the staff rules and regulations adequately covered the present circumstances. However, in view of the apparent difficulties encountered in drafting a suitable text, he supported the suggestion to suspend the meeting.

48. **Mr. DE MARIA Y CAMPOS** (Director-General) said that it was important to treat staff with equity. As things stood, there would be cases where staff who had held fixed-term appointments for more than 15 years would be treated in a less favourable manner than those with permanent appointments. The Director of Personnel Services could give some further information.

49. **Mr. CREYDT** (Director, Personnel Services) said that it had been ascertained that the solution of paying fixed-term staff an additional termination indemnity of up to 50 per cent had been used by the World Health Organization and by UNESCO (see Administrative Circular No. 1474 (II), issued in 1985). Those who felt that UNESCO should be taken as a model might consider whether that example could be followed by UNIDO.

50. **The PRESIDENT** suggested that the meeting should be suspended.

*The meeting was suspended at noon and resumed at 1.15 p.m.*

51. **The PRESIDENT** said that, as consultations were still continuing, she would adjourn the meeting.

*The meeting rose at 1.20 p.m.*